

The President's Daily Brief

18 December 1969

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PRINCIPAL DEVELOPMENTS

The Arab summit conference, opening Saturday in Rabat, promises to be a stormy affair because of divergent viewpoints on the conflict with Israel. (Page 1)

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Soviet attempts to develop markets in Western Europe for natural gas are beginning to pay off. (Page 3)

Negotiations between Pankow and Bonn have been brought a step closer with the East German parliament's action "authorizing" government and party leaders to take the "necessary measures" for establishing relations with West Germany. (Page 4)

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ARAB STATES

The Arab summit conference, which opens in Rabat on Saturday, is likely to be stormy. The participants have sharply differing viewpoints on the Arab-Israeli confrontation.

Egypt and Jordan, having concluded that a peaceful solution to the Arab-Israeli conflict is unlikely, are expected to demand more financial assistance from the oil-rich states to increase their military capabilities.

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Another thorny problem will be the wording of the communiqué to be issued at the end of the conference.

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The fedayeen probably will be represented by Yasir Arafat, leader of Fatah and the Palestine Liberation Organization. His main effort is likely to be directed toward obtaining greater financial support.

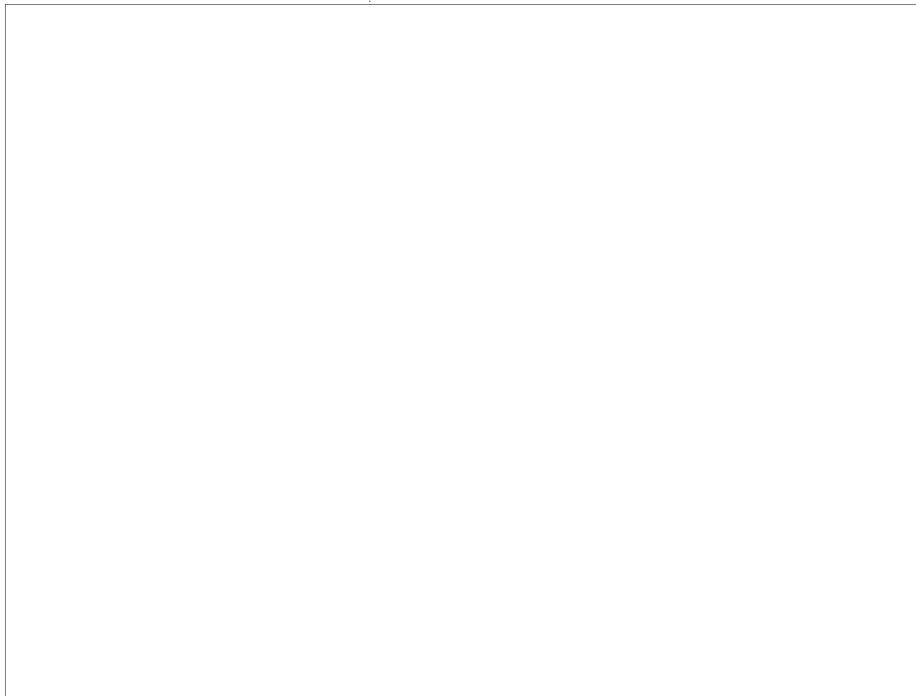
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The US is likely to receive more verbal abuse. Tangible expression of radical Arab displeasure, such as the breaking of diplomatic relations, may be suggested, but the more moderate states are unlikely to go along with such proposals.

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LIBYA



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USSR - WESTERN EUROPE

Moscow this month has concluded two major agreements for the sale of natural gas in Western Europe. On 19 December the USSR and Italy signed a 20-year agreement for the delivery of gas beginning in 1973. The Soviets will receive an initial credit from Italy of some \$200 million with which to buy pipe and other equipment for the USSR's natural gas pipeline systems. The gas will come over a pipeline extending from Czechoslovakia through Austria.

The second agreement was signed with a West German firm earlier in the month. It calls for the delivery of natural gas to Bavaria via a pipeline through Czechoslovakia for a 20-year period, also beginning in 1973.

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These agreements are particularly advantageous to the USSR because they provide it with Western credits for the immediate delivery of pipe and other equipment needed to spur the lagging construction of oil and gas pipeline networks from Siberia and Central Asia. By the time Soviet deliveries to West Europe begin in the early 1970s, the USSR's natural gas imports from Iran, scheduled to begin next year, and increased flows from Afghanistan will more than offset gas exports to Western Europe. What is more, these deals come at a time when Soviet hard currency earnings from petroleum deliveries to the West appear to be leveling off.

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EAST GERMANY - WEST GERMANY

The East German parliament yesterday "authorized" both the Council of State, headed by party leader Ulbricht, and the government, headed by Premier Stoph, to take "the necessary measures" for establishing relations with West Germany. This suggests that the East Germans may propose negotiations on several levels.

Ulbricht last week had indicated that Pankow was willing to negotiate with Bonn and would not impose preconditions for beginning talks. He hinted, however, that Pankow would await a proposal from Bonn to begin negotiations. Yesterday's action suggests that the East Germans may now believe that they must take the initiative.

With Poland and other Eastern European states about to follow Moscow's example in negotiating bilaterally with the Federal Republic, the East German action is probably a defensive one. Even if there are high-level talks, no early breakthrough should be expected.

The parliament's resolution specified that relations between the two Germanies should be governed and secured by agreements valid under international law. Bonn, on the other hand, has indicated that it is only willing to accept "binding agreements" with the East Germans--but not formal state treaties, which it considers would be tantamount to de jure recognition. The Brandt government insists that relations between East and West Germany must be of a special type.

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ECUADOR

A month-long strike of teachers has closed 75 percent of the country's public schools. The teachers are demanding the payment of back salaries, a guarantee that they will be paid on time in the future, and the dismissal of the minister of education. Students have joined them in their demonstrations, primarily because they, too, want to dump the minister. President Velasco announced on 1 December that he was borrowing from the next year's budget to pay delinquent salaries, but the strike continued.

The government's stand has hardened into what Velasco has termed "a principle of authority." The President has received the public support of his military leaders, who regard students as their natural enemies and have let it be known that they would sanction strong-arm measures to break up the strike.

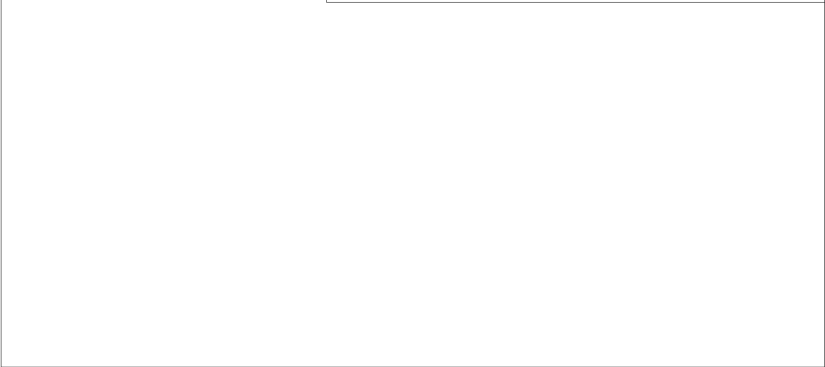
University classes have already been suspended for the holidays, and on Wednesday the government declared a three-week holiday in the elementary and secondary schools to begin at once. That may be enough time for teachers and students to cool off.

During his past four attempts to govern Ecuador, Velasco has not been prone to compromise. It appears, however, that a peaceful settlement of the strike calls for just that quality.

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South Vietnam:



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